

ASSEMBLY BILL

No. 240

Introduced by Assembly Member Rendon

February 5, 2013

An act to add Section 14304 to the Corporations Code, to amend Section 116755 of the Health and Safety Code, and to add Section 10531.5 to the Water Code, relating to mutual water companies.

LEGISLATIVE COUNSEL'S DIGEST

AB 240, as introduced, Rendon. Mutual water companies.

Under existing law, a mutual water company is defined as a corporation organized for or engaged in the business of selling, distributing, supplying, or delivering water for irrigation or domestic purposes that provides in its articles or bylaws that the water shall be sold, distributed, supplied, or delivered only to owners of its shares, as specified.

(1) Existing law requires each board member of a mutual water company that operates a public water system to complete a training course regarding the duties of board members of mutual water companies, as specified.

This bill would require a board member to repeat this training course every 6 years.

(2) Existing law permits a mutual water company that is not a public utility to levy assessments upon its shares, unless otherwise provided in its articles or bylaws.

This bill would also permit the board of directors of a mutual water company, if authorized by its articles or bylaws, to record a notice of lien against a shareholder's property if the shareholder has not timely paid any rate, charge, or assessment arising from, or related to, water

services provided by the mutual water company to the shareholder's property and if the shareholder was given at least 20 days' notice of the lien.

(3) Existing law declares that water is a valuable natural resource in California and should be managed to ensure the availability of sufficient supplies to meet the state's agricultural, domestic, industrial, and environmental needs. Existing law declares that local agencies can realize efficiencies by coordinating and integrating their assets and seeking mutual solutions to water management issues.

This bill would declare the intent of the Legislature to encourage collaboration among mutual water companies that operate public water systems in the City of Maywood to create a public agency that can consolidate drinking water services for the people and business of that city.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 14304 is added to the Corporations Code,
2 to read:

3 14304. If a shareholder of a mutual water company has not
4 timely paid any rate, charge, or assessment arising from, or related
5 to, water service provided by the mutual water company to the
6 shareholder's property, and if authorized by its articles or bylaws,
7 then after providing at least 20 days' written notice to the
8 shareholder, the board of directors of the mutual water company
9 may authorize the recording of a notice of lien against that
10 shareholder's property to secure the collection of the rates, charges,
11 and assessments owed to the mutual water company by the
12 shareholder.

13 SEC. 2. Section 116755 of the Health and Safety Code is
14 amended to read:

15 116755. (a) Each board member of a mutual water company
16 that operates a public water system, as defined in Section 116275,
17 shall, within six months of taking office, or by December 31, 2012,
18 if that member was serving on the board on December 31, 2011,
19 complete a two-hour course offered by a qualified trainer regarding
20 the duties of board members of mutual water companies, including,
21 but not limited to, the duty of a corporate director to avoid

1 contractual conflicts of interest and fiduciary duties, the duties of
2 public water systems to provide clean drinking water that complies
3 with the federal Safe Drinking Water Act (42 U.S.C. Sec. 300f et
4 seq.) and this chapter, and long-term management of a public water
5 system. *A board member of a mutual water company shall repeat*
6 *this training every six years.* For the purposes of this subdivision,
7 a trainer may be qualified in any of the following ways:

8 (1) Membership in the California State Bar.

9 (2) Accreditation by the International Association of Continuing
10 Education and Training (IACET) ANSI/IACET 1-2007.

11 (3) Sponsorship by either the Rural Community Assistance
12 Corporation or the California Rural Water Association.

13 (b) A mutual water company formed pursuant to Part 7
14 (commencing with Section 14300) of Division 3 of Title 1 of the
15 Corporations Code shall be liable for the payment of any fines,
16 penalties, costs, expenses, and other amounts that may be imposed
17 upon the mutual water company pursuant to this chapter. The
18 mutual water company may levy an assessment, pursuant to Section
19 14303 of the Corporations Code, to pay these fines, penalties,
20 costs, expenses, and other amounts so imposed. If the amount of
21 outstanding fines, penalties, costs, expenses and other amounts
22 imposed pursuant to this chapter exceed 5 percent of the annual
23 budget of the mutual water company, then the mutual water
24 company shall levy an assessment, pursuant to Section 14303 of
25 the Corporations Code, to pay those fines, penalties, costs,
26 expenses, and other amounts so imposed.

27 SEC. 3. Section 10531.5 is added to the Water Code, to read:

28 10531.5. It is the intent of the Legislature to encourage
29 collaboration among mutual water companies that operate public
30 water systems in the City of Maywood to create a public agency
31 that can consolidate drinking water services for the people and
32 businesses of that city.